

February 2, 2023

Q3FY23 Result Update

☑ Change in Estimates | ☑ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY24E	FY25E	FY24E	FY25E
Rating	BUY		ACCUMULATE	
Target Price	2,905		2,875	
Sales (Rs. m)	4,35,624	5,02,153	4,28,264	4,93,658
% Chng.	1.7	1.7		
EBITDA (Rs. m)	56,725	65,357	56,049	64,451
% Chng.	1.2	1.4		
EPS (Rs.)	44.4	52.1	43.5	51.1
% Chng.	2.0	2.0		

Key Financials - Standalone

Y/e Mar	FY22	FY23E	FY24E	FY25E
Sales (Rs. bn)	273	372	436	502
EBITDA (Rs. bn)	35	48	57	65
Margin (%)	12.8	13.0	13.0	13.0
PAT (Rs. bn)	24	33	39	46
EPS (Rs.)	26.7	37.0	44.4	52.1
Gr. (%)	134.6	38.4	20.0	17.5
DPS (Rs.)	4.0	7.5	10.0	12.5
Yield (%)	0.2	0.3	0.4	0.5
RoE (%)	28.1	30.7	29.0	27.3
RoCE (%)	23.8	27.1	26.2	24.9
EV/Sales (x)	7.7	5.6	4.8	4.1
EV/EBITDA (x)	60.0	43.3	36.6	31.6
PE (x)	86.3	62.4	52.0	44.3
P/BV (x)	21.9	17.0	13.5	10.9

Key Data

TITN.BO | TTAN IN

52-W High / Low	Rs.2,791 / Rs.1,825
Sensex / Nifty	59,932 / 17,610
Market Cap	Rs.2,049bn/ \$ 24,934m
Shares Outstanding	888m
3M Avg. Daily Value	Rs.2689.27m

Shareholding Pattern (%)

Promoter's	52.90
Foreign	17.53
Domestic Institution	11.31
Public & Others	18.26
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	(10.0)	(3.2)	(6.3)
Relative	(8.2)	(6.1)	(6.9)

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Titan Company (TTAN IN)

Rating: BUY | CMP: Rs2,308 | TP: Rs2,905

Demand trends remain intact

Quick Pointers:

- Jewellery demand remains strong, margin guidance at 12-13%
- Eyewear and CaratLane on strong path to profitability in 9MFY23

We upgrade the stock to BUY and increase our FY23/FY24/FY25 EPS estimates by 1.5%/2.0%/2.0% and target price to Rs2905 (Rs2875 earlier) given strong underlying demand trends across divisions in Jan23 and ~17% correction from the peak. 3Q results show disappointment in jewellery margins as one off impact of gains in studded business waned off. Jewellery business outlook remains robust with Golden Harvest scheme enrollments & gold exchange back to pre covid levels. We believe TTAN is well placed to capitalize on long term growth opportunities led by 1) jewellery share gains due to network expansion, regional thrust and hallmarking benefits 2) Omni-channel strategy across jewellery, watches and eyewear 3) new growth drivers like Caratlane, Titan Eye+, Taneira and 4) entry into high growth segments like wearables such as smart watches, over the head headphones and Truly Wireless earphones. Eyewear and CaratLane are have reached critical mass with 9MFY23 EBIT in Eyewear at Rs960mn while CaratLane reported profit of Rs1.14bn. TTAN currently trades at 51.2x/43.7x FY24/FY25E EPS with 18.4% EPS CAGR over FY23-25. Upgrade to Buy

Standalone Revenues grew by 14.3% YoY to Rs108.8bn. Gross margins contracted by 162bps YoY/352bps QoQ to 23%. EBITDA declined by 4.9% YoY to Rs13.3bn Margins contracted by 247bps/191bps QoQ YoY to 12.2% (PLe:14.3%). Adj. PAT declined by 3.6% YoY to Rs9.5bn (PLe: Rs10.6bn). TTAN retail chain has 2,537 stores across 406 towns (incl Caratlane). CaratLane clocked Revenue/ PBT of Rs6.77bn/ Rs510mn, up 51%/55% YoY.

Jewellery revenues grew by 14.1% YoY to Rs98.3bn; EBIT declined by 1.9% YoY to Rs12.4bn; margins contracted by 205bps YoY to 12.6%. Studded ratio at 36% in overall mix. Added 8 stores, total count reached to 411 stores. Inventory gains in diamonds have tapered in 3Q. Average ticket sizes saw steady improvement. Contribution from Golden Harvest program have reached pre covid levels.

Watches revenues grew by 14.5% YoY to Rs8.1bn; EBIT grew by 8.5% YoY to Rs0.9bn; margins contracted by 61bps YoY to 11%. E-Commerce channel grew the fastest followed by Helios. Wearables contribution at 10% in 3Q.

Eyewear revenues grew by 11.5% YoY to Rs1.7bn; EBIT declined by 5.9% YoY to Rs320mn; margins contracted by 340bps YoY to 18.4%. Added 36 new stores in 3Q23, reached total count to 863 stores. House brands grew ahead of International brands while amongst categories Lenses & Sunglasses grew ahead of Frames.

Exhibit 1: Revenue grew by 14.3% YoY; Margins contract by 247bps YoY/191bps QoQ

Y/e March (Rs mn)	3QFY23	3QFY23	YoY gr. (%)	2QFY23	9MFY23	9MFY22	YoY gr. (%)
Net Sales	108,750	95,150	14.3	87,300	285,660	199,340	43.3
Gross Profit	25,030	23,440	6.8	23,170	70,040	47,790	46.6
% of NS	23.0	24.6	(1.6)	26.5	24.5	24.0	0.5
Advt & Sales Pro	2,030	1,720	18.0	1,730	4,684	3,180	47.3
% of NS	1.9	1.8		2.0	1.6	1.6	
Total Expenses	95,450	81,160	17.6	74,960	247,594	174,370	42.0
% of NS	87.8	85.3		85.9	86.7	87.5	
EBITDA	13,300	13,990	(4.9)	12,340	38,066	24,970	52.4
Margins %	12.2	14.7	(2.5)	14.1	13.3	12.5	0.8
Depreciation	930	850	9.4	890	2,690	2,590	3.9
Interest	610	520	17.3	500	1,660	1,410	17.7
Other Income	910	550	65.5	600	1,950	1,700	14.7
PBT	12,670	13,170	(3.8)	11,550	35,666	22,670	57.3
Tax	3,160	3,300	(4.2)	2,980	8,870	5,780	53.5
Tax rate %	24.9	25.1		25.8	24.9	25.5	
Adjusted PAT	9,510	9,870	(3.6)	8,570	26,796	16,890	58.7

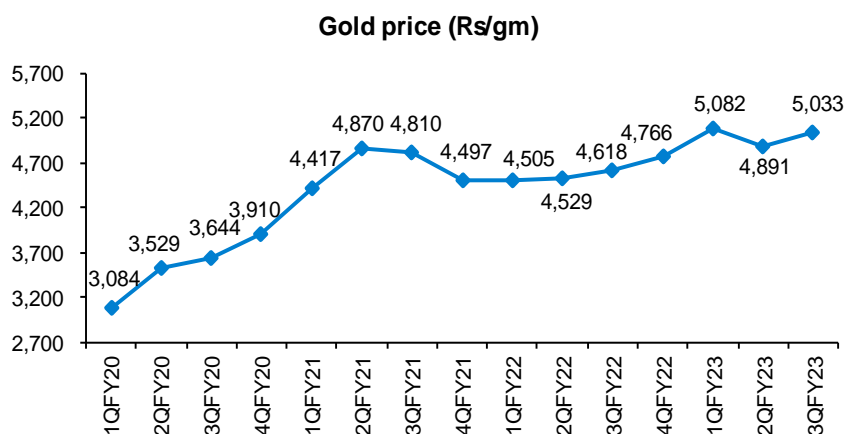
Source: Company, PL

Exhibit 2: Strong double digit across Jewellery/Watches businesses

(Rs m)	3QFY21	4QFY21	1QFY22	2QFY22	3QFY22	4QFY22	1QFY23	2QFY23	3QFY23
Total Sales	72,990	71,390	32,640	71,910	95,330	73,050	89,800	87,540	109,070
Watches	5,500	5,550	2,920	6,870	7,080	6,220	7,850	8,290	8,110
YoY Growth	-12.0%	-0.3%	289.3%	71.8%	28.7%	12.1%	168.8%	20.7%	14.5%
Jewellery	65,890	64,220	28,910	62,980	86,170	65,070	79,560	76,850	98,330
YoY Growth	21.8%	71.1%	62.1%	64.1%	30.8%	1.3%	175.2%	22.0%	14.1%
Eyewear	1240	1270	670	1600	1560	1,340	1830	1670	1,740
YoY Growth	-7.0%	17.9%	123.3%	70.2%	25.8%	5.0%	173.1%	4.4%	11.5%
Others	360	350	140	460	520	420	560	730	890
YoY Growth	-66.4%	-15.6%	250.0%	100.0%	44.4%	23.0%	300.0%	58.7%	71.2%
Total EBIT	8,230	7,630	1,220	9,210	13,730	7,330	11,560	12,360	13,400
Watches	570	460	-560	920	820	-100	1,030	1,230	890
YoY Growth	9.4%	-36.3%	-65.9%	-2400.0%	43.9%	-121.7%	283.9%	33.7%	8.5%
EBIT Margin	10.4%	8.3%	-19.2%	13.4%	11.6%	-1.6%	13.1%	14.8%	11.0%
Jewellery	7,520	7,030	2,070	7,930	12,600	7,670	10,270	11,030	12,360
YoY Growth	7.2%	31.7%	-483.3%	178.2%	67.6%	9.1%	396.1%	39.1%	-1.9%
EBIT Margin	11.4%	10.9%	7.2%	12.6%	14.6%	11.8%	12.9%	14.4%	12.6%
Eyewear	220	230	-130	370	340	-80	360	280	320
YoY Growth	-428.4%	1170.7%	-58.1%	311.1%	54.5%	-134.8%	-376.9%	-24.3%	-5.9%
EBIT Margin	17.7%	18.1%	-19.4%	23.1%	21.8%	-6.0%	19.7%	16.8%	18.4%
Others	(80)	(90)	(160)	(10)	(30)	(160)	(100)	(180)	(170)

Source: Company, PL

Key Concall Highlights: 1) Competitive intensity has increased in 3Q and continues into 4Q 2) Demand trends were affected in Nov & Dec due to volatility in gold prices, buyers returned in Jan as gold price remained firm 3) Jewellery growth was led by buyer growth with minor increase in ticket prices 5) Jewellery new buyer contribution at 49% in 3Q 6) Gold exchanges stood at 30% in 3Q with upselling opportunities 7) Company has gained market share in LTM as per internal estimates 8) Jewellery margins to normalize at 12-13% inventory gains taper off 9) IBD business has 6 stores in UAE and may look at Saudi Arabia as next possible destination 10) NPD contribution in watches at 20-22% in 9M23 11) Targets SSSG growth upwards of 8-9% in the medium term across businesses

Exhibit 3: Average Gold Prices up 9% YoY


Source: Bloomberg, PL

Exhibit 4: LTL growth at 9%, studded share at 26%

	3QFY21	4QFY21	1QFY22	2QFY22	3QFY22	4QFY22	1QFY23	2QFY23	3QFY23
Jewellery									
Volume Gr %	-14	45	124	101	47	-7	170	3	1
Studded Share %	26	30	22	30	26	30	26	32	26
Sales Gr %	21.8%	71.1%	62.1%	64.1%	30.8%	1.3%	175.2%	22.0%	14.1%
Tanishq									
Sales Gr %	13	63	115	75	37	1	202	13	14
LTL Growth %	7	47	117	66	31	4	195	9	9
Stores	351	353	358	368	382	389	395	403	411
Area (sq. Ft)	13,40,000	13,60,000	13,80,000	14,20,000	14,70,000	15,00,000	15,30,000	1,570,000	1,640,000

Source: Company, PL

Exhibit 5: Watches sales up 14.5%, strong growth witnessed across brands

	3QFY21	4QFY21	1QFY22	2QFY22	3QFY22	4QFY22	1QFY23	2QFY23	3QFY23
Watches									
Sales Growth %	-12.0	-0.3	291.3	71.8	28.7	12.1	168.8	20.7	14.5
Volume Growth %	-26	-4	466	67	21	-1	109	1	3
World Of Titan									
Sales Growth %	-14	8	86	79	24	15	241	31	14
LTL Sales growth %	-15	7	91	78	22	13	227	26	8
Stores	499	511	509	513	520	544	570	577	601
Helios									
Sales Growth %	-9	10	73	69	43	35	278	46	32
LTL Sales growth %	-14	6	78	51	30	14	227	27	11
Stores	98	103	106	112	126	136	151	165	182
Fastrack									
Sales Growth %	-24	-4	63	51	9	-9	230	26	19
LTL Sales growth %	-22	-2	80	52	11	-5	231	26	18
Stores	169	168	166	164	163	163	161	163	170
LFS									
Sales Growth %	-23	-3	323	103	35	8	358	63	20
LTL Sales growth %	-23	-3	324	102	33	3	338	52	25

Source: Company, PL

Exhibit 6: Eyewear grew at 9.3% CAGR over FY20-23

Eyewear	3QFY21	4QFY21	1QFY22	2QFY22	3QFY22	4QFY22	1QFY23	2QFY23	3QFY23
Sales Gr %	-14	28	74	69	19	-4	180	12	14
LTL Growth % (Titan Eye+)	-15	27	47	59	10	-13	185	1	1
Stores	571	599	605	629	682	733	786	822	858
Area (sq Ft)	3,76,000	3,88,000	3,89,000	4,00,000	4,28,000	4,55,000	4,81,000	5,04,000	525,000

Source: Company PL

Exhibit 7: Strong growth momentum to continue

(Rs m)	FY19	FY20	FY21	FY22	FY23E	FY24E	FY25E
Jewellery							
Sales	1,59,881	1,66,983	1,85,877	2,43,151	331,100	386,773	444,237
Growth %	22.8	4.4	11.3	30.8	36.5	16.8	14.9
EBIDTA	19,996	21,813	18,023	31,714	44,036	51,441	58,861
Growth %	25.8	9.1	(17.4)	76.0	38.8	16.8	14.4
EBIDTA Margin %	12.5	13.1	9.7	13.0	13.3	13.3	13.3
Watches							
Sales	24,409	25,261	15,826	22,948	31,388	37,666	44,445
Growth %	18.8	3.5	(37.4)	45.0	40.0	20.0	18.0
EBIDTA	3,572	3,789	32	1,521	4,928	6,102	7,333
Growth %	15.9	6.1	(99.2)	4,706.8	141.6	23.8	20.2
EBIDTA Margin %	14.6	15.0	0.2	6.6	15.7	16.2	16.5

Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY22	FY23E	FY24E	FY25E
Net Revenues	2,72,780	3,71,512	4,35,624	5,02,153
YoY gr. (%)	32.4	36.2	17.3	15.3
Cost of Goods Sold	2,05,098	2,75,070	3,24,379	3,77,166
Gross Profit	67,682	96,442	1,11,245	1,24,987
Margin (%)	24.8	26.0	25.5	24.9
Employee Cost	11,430	14,836	16,966	19,059
Other Expenses	9,690	14,871	15,966	16,466
EBITDA	34,952	48,190	56,725	65,357
YoY gr. (%)	105.5	37.9	17.7	15.2
Margin (%)	12.8	13.0	13.0	13.0
Depreciation and Amortization	3,470	3,558	4,077	4,696
EBIT	31,482	44,632	52,648	60,661
Margin (%)	11.5	12.0	12.1	12.1
Net Interest	1,950	2,340	2,530	2,655
Other Income	1,780	2,230	3,243	4,668
Profit Before Tax	31,312	44,522	53,360	62,673
Margin (%)	11.5	12.0	12.2	12.5
Total Tax	7,520	11,605	13,877	16,270
Effective tax rate (%)	24.0	26.1	26.0	26.0
Profit after tax	23,792	32,917	39,484	46,403
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	23,792	32,917	39,484	46,403
YoY gr. (%)	134.6	38.4	20.0	17.5
Margin (%)	8.7	8.9	9.1	9.2
Extra Ord. Income / (Exp)	(510)	-	-	-
Reported PAT	23,282	32,917	39,484	46,403
YoY gr. (%)	165.5	41.4	20.0	17.5
Margin (%)	8.5	8.9	9.1	9.2
Other Comprehensive Income	(50)	-	-	-
Total Comprehensive Income	23,232	32,917	39,484	46,403
Equity Shares O/s (m)	890	890	890	890
EPS (Rs)	26.7	37.0	44.4	52.1

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY22	FY23E	FY24E	FY25E
Non-Current Assets				
Gross Block	17,610	19,793	22,403	25,525
Tangibles	16,220	18,220	20,620	23,500
Intangibles	1,390	1,573	1,783	2,025
Acc: Dep / Amortization	7,130	8,550	10,123	11,882
Tangibles	6,090	7,295	8,653	10,197
Intangibles	1,040	1,255	1,470	1,685
Net fixed assets	10,480	11,243	12,280	13,644
Tangibles	10,130	10,925	11,967	13,303
Intangibles	350	318	313	340
Capital Work In Progress	710	860	935	1,018
Goodwill	-	-	-	-
Non-Current Investments	14,170	15,861	17,284	18,873
Net Deferred tax assets	1,360	1,855	2,175	2,508
Other Non-Current Assets	10,860	11,782	12,884	14,199
Current Assets				
Investments	150	15,000	20,360	23,570
Inventories	1,27,870	1,47,958	1,70,217	1,95,805
Trade receivables	4,950	6,605	7,747	8,932
Cash & Bank Balance	10,490	11,076	25,095	46,628
Other Current Assets	8,520	11,145	12,633	14,060
Total Assets	2,01,370	2,46,376	2,95,250	3,53,559
Equity				
Equity Share Capital	890	890	890	890
Other Equity	92,840	1,19,730	1,50,949	1,86,862
Total Networth	93,730	1,20,620	1,51,839	1,87,752
Non-Current Liabilities				
Long Term borrowings	-	-	-	-
Provisions	1,790	2,411	2,828	3,260
Other non current liabilities	10,260	11,040	12,398	13,998
Current Liabilities				
ST Debt / Current of LT Debt	53,860	60,607	68,674	79,809
Trade payables	10,550	12,092	14,273	16,666
Other current liabilities	31,180	39,606	45,239	52,073
Total Equity & Liabilities	2,01,370	2,46,376	2,95,250	3,53,559

Source: Company Data, PL Research



Cash Flow (Rs m)

Y/e Mar	FY22	FY23E	FY24E	FY25E
PBT	29,830	45,157	53,995	63,308
Add. Depreciation	3,470	3,558	4,077	4,696
Add. Interest	1,810	1,950	2,340	2,530
Less Financial Other Income	1,780	2,230	3,243	4,668
Add. Other	(2,090)	(838)	(593)	(703)
Op. profit before WC changes	33,020	49,828	59,819	69,832
Net Changes-WC	(12,000)	(23,684)	(15,017)	(11,729)
Direct tax	(7,520)	(11,605)	(13,877)	(16,270)
Net cash from Op. activities	13,500	14,538	30,925	41,833
Capital expenditures	(3,360)	(4,472)	(5,189)	(6,142)
Interest / Dividend Income	-	-	-	-
Others	(1,100)	(869)	(478)	(502)
Net Cash from Invt. activities	(4,460)	(5,341)	(5,667)	(6,644)
Issue of share cap. / premium	(559)	(2)	-	-
Debt changes	2,250	-	-	-
Dividend paid	(3,551)	(6,660)	(8,900)	(11,125)
Interest paid	(1,810)	(1,950)	(2,340)	(2,530)
Others	-	-	-	-
Net cash from Fin. activities	(3,670)	(8,612)	(11,240)	(13,655)
Net change in cash	5,370	586	14,019	21,533
Free Cash Flow	10,140	10,066	25,736	35,690

Source: Company Data, PL Research

Key Financial Metrics

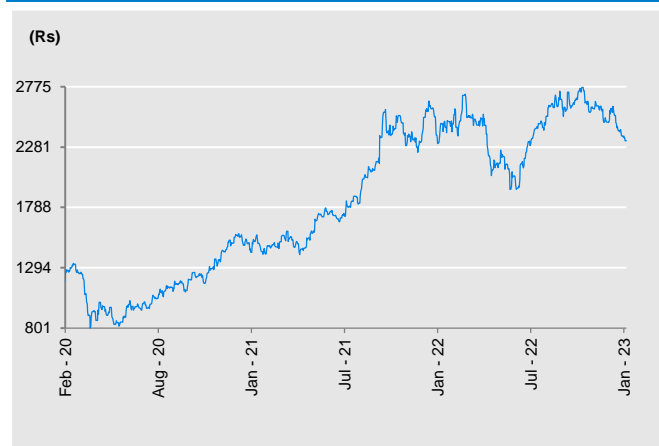
Y/e Mar	FY22	FY23E	FY24E	FY25E
Per Share(Rs)				
EPS	26.7	37.0	44.4	52.1
CEPS	30.6	41.0	48.9	57.4
BVPS	105.3	135.5	170.6	211.0
FCF	11.4	11.3	28.9	40.1
DPS	4.0	7.5	10.0	12.5
Return Ratio(%)				
RoCE	23.8	27.1	26.2	24.9
ROIC	16.5	20.3	21.1	21.4
RoE	28.1	30.7	29.0	27.3
Balance Sheet				
Net Debt : Equity (x)	0.5	0.3	0.2	0.1
Net Working Capital (Days)	164	140	137	137
Valuation(x)				
PER	86.3	62.4	52.0	44.3
P/B	21.9	17.0	13.5	10.9
P/CEPS	75.4	56.3	47.2	40.2
EV/EBITDA	60.0	43.3	36.6	31.6
EV/Sales	7.7	5.6	4.8	4.1
Dividend Yield (%)	0.2	0.3	0.4	0.5

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q4FY22	Q1FY23	Q2FY23	Q3FY23
Net Revenue	72,760	89,610	87,300	1,08,750
YoY gr. (%)	2.0	175.8	21.8	14.3
Raw Material Expenses	55,030	67,770	64,130	83,720
Gross Profit	17,730	21,840	23,170	25,030
Margin (%)	24.4	24.4	26.5	23.0
EBITDA	7,820	11,640	12,340	13,300
YoY gr. (%)	(1.6)	708.3	29.4	(4.9)
Margin (%)	10.7	13.0	14.1	12.2
Depreciation / Depletion	880	870	890	930
EBIT	6,940	10,770	11,450	12,370
Margin (%)	9.5	12.0	13.1	11.4
Net Interest	540	550	500	610
Other Income	760	440	600	910
Profit before Tax	7,160	10,660	11,550	12,670
Margin (%)	9.8	11.9	13.2	11.7
Total Tax	1,740	2,730	2,980	3,160
Effective tax rate (%)	24.3	25.6	25.8	24.9
Profit after Tax	5,420	7,930	8,570	9,510
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	5,420	7,930	8,570	9,510
YoY gr. (%)	2.5	1,200.0	33.7	(3.6)
Margin (%)	7.4	8.8	9.8	8.7
Extra Ord. Income / (Exp)	(510)	-	-	-
Reported PAT	4,910	7,930	8,570	9,510
YoY gr. (%)	(7.2)	1,200.0	33.7	(3.6)
Margin (%)	6.7	8.8	9.8	8.7
Other Comprehensive Income	200	-	(260)	(270)
Total Comprehensive Income	5,110	7,930	8,310	9,240
Avg. Shares O/s (m)	890	-	890	890
EPS (Rs)	6.1	-	9.6	10.7

Source: Company Data, PL Research

Price Chart

Recommendation History

No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	09-Jan-23	Accumulate	2,875	2,538
2	05-Nov-22	Accumulate	2,875	2,770
3	05-Aug-22	Accumulate	2,608	2,433
4	07-Jul-22	BUY	2,520	2,128
5	07-Jul-22	BUY	2,520	2,014
6	13-May-22	BUY	2,701	2,092
7	03-May-22	BUY	2,701	2,387
8	08-Apr-22	BUY	2,754	2,510
9	06-Apr-22	BUY	2,754	2,530
10	03-Feb-22	BUY	2,832	2,475

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Asian Paints	Accumulate	3,150	2,866
2	Avenue Supermarts	BUY	4,675	3,864
3	Britannia Industries	Hold	4,297	4,359
4	Colgate Palmolive	Hold	1,578	1,459
5	Dabur India	Accumulate	609	553
6	Emami	Accumulate	521	420
7	Hindustan Unilever	Accumulate	2,800	2,650
8	ITC	Accumulate	365	335
9	Jubilant FoodWorks	BUY	567	456
10	Kansai Nerolac Paints	Accumulate	563	419
11	Marico	Hold	531	513
12	Mold-tek Packaging	Hold	940	983
13	Nestle India	Accumulate	20,201	19,890
14	Pidilite Industries	Hold	2,500	2,315
15	Restaurant Brands Asia	Accumulate	156	111
16	Titan Company	Accumulate	2,875	2,538
17	Westlife Foodworld	BUY	852	735

PL's Recommendation Nomenclature (Absolute Performance)

Buy	: > 15%
Accumulate	: 5% to 15%
Hold	: +5% to -5%
Reduce	: -5% to -15%
Sell	: < -15%
Not Rated (NR)	: No specific call on the stock
Under Review (UR)	: Rating likely to change shortly



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